

**Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Responses to the Attorney General's Sixth Set of Information Requests**

Request No. AG-6-23 (Electric)

Please provide copies of all evidence supporting Mr. Hadaway's statement on page 19 of his testimony that "most estimates for 2002 are for improved economic growth, with continued price stability and moderately higher interest rates."

Response:

Although Mr. Hadaway does not retain routine comments from stories in the *Wall Street Journal* and other periodic publications, the cited consensus statement is based on his reading of such publications. See, for example, the attached copies of the Economic and Stock Market Commentary sections published in Value Line's Selection and Opinion, March 29, 2002 and May 17, 2002.

Person Responsible: Samuel C. Hadaway

THE VALUE LINE Investment Survey®

PAGES 3695-3706

File in page order in the
Selection & Opinion
binder.

PART 2

Selection & Opinion

MARCH 29, 2002

The Value Line View

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The *Selection & Opinion* Index appears on
page 3734 (March 8, 2002).

*In Three Parts: Part 1 is the Summary & Index.
This is Part 2, Selection & Opinion. Part 3 is
Ratings & Reports. Volume LVII, Number 30.*

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ECONOMIC AND STOCK MARKET COMMENTARY

The Federal Reserve Board's recent decision to leave interest rates unchanged, but to shift from a so-called easing bias to a neutral stance, signals that the lead bank believes the recession is over but that a strong recovery has not yet begun. Specifically, the Fed's action implies that the risks to the economy are now balanced between too much weakness that could put us back into recession and growth that's so strong it could fan the fires of inflation.

The Fed's middle-of-the-road position has evolved from reports affirming that the economy has moved onto a definite, but uneven recovery path. For example, such barometers as industrial production, employment, retail spending, and housing are showing improvement. None of these gauges, though, is now exhibiting the kind of strength needed for the economy to overheat. Such an overheating would lead to inflationary shortages of labor and materials that might, in turn, force the Fed to begin raising interest rates very quickly.

We think the economy will show moderate strength in the first half, with growth probably not exceeding 3%. Thereafter the pace of activity should accelerate modestly. As such, the Fed, which has the long-run goals of sustainable economic growth and price stability might

start to lift rates by midyear, or shortly thereafter. In any event, borrowing costs should stay low enough to keep the business upturn in place through at least 2003.

The stronger economy should lead to higher earnings for most companies, with the profit increases becoming more pronounced later this year. A notable laggard is likely to be the tech sector, where inventories must be worked down further before a recovery can evolve, in our opinion.

Stocks have continued to chart an irregular course, with alternating strength and weakness. For the most part, investors are comforted by the economy's recent better showing, but they are wary about the outlook for earnings. The upsurge in violence in the Middle East, the possibility of war with Iraq, and the unresolved conflict in Afghanistan are also weighing on the minds of many investors.

Conclusion: Although we continue to project higher stock prices over the course of this year, we believe there is enough uncertainty around for the path to improved performance by the leading averages to be uneven. Please refer to the inside back cover of *Selection & Opinion* for our Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF THIS TIME				
	3/14/2002	3/21/2002	% Change 1 week	% Change 12 months
Dow Jones Industrial Average	10517.14	10479.84	-0.4%	+10.5%
Standard & Poor's 500	1153.04	1153.59	0.0%	+2.8%
N.Y. Stock Exchange Composite	600.80	601.82	+0.2%	+4.6%
NASDAQ Composite	1854.14	1868.83	+0.8%	+2.1%
NASDAQ 100	1477.19	1488.97	+0.8%	-7.2%
American Stock Exchange Index	886.74	904.39	+2.0%	+5.0%
Value Line (Geometric)	374.31	378.16	+1.0%	+4.2%
Value Line (Arithmetic)	1292.74	1308.05	+1.2%	+20.5%
London (FT-SE 100)	5261.4	5253.3	-0.2%	-5.2%
Tokyo (Nikkei)	11568.82	11526.78	-0.4%	-12.0%
Russell 2000	497.76	505.44	+1.5%	+16.0%

THE VALUE LINE Investment Survey®

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Selection & Opinion
binder.

PART 2

Selection & Opinion

MAY 17, 2002

The Value Line View

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ECONOMIC AND STOCK MARKET COMMENTARY

The Federal Reserve Board's recent decision to keep interest rates unchanged, and to retain its neutral rate bias, would appear to reflect ongoing concerns about the underlying strength of the U.S. business recovery. Until recently, the economy appeared to be strengthening on an-almost-daily basis, with reports showing gains in manufacturing, retailing, housing, and consumer confidence. Over the past few weeks, though, we have begun to see either a deceleration in the rate of growth in these areas, or an outright reversal. This does not imply that the recession will soon resume, but it does suggest that economic growth will slow in the current quarter from the 5.8% rate of increase registered in the first three months of the year.

We think that the mixed signals being given off by the economy at this time may prove short-lived. The strong impetus provided by last year's series of interest-rate cuts and the help given by the government's fiscal stimulus programs should keep the recovery intact. Growth could slow to 2%-3% in the current quarter, though, before picking up again after midyear.

We believe the economy's recovery will be accompanied by subdued inflation this year. Increasing productivity (that gauge of worker efficiency increased at a better-than-expected rate of 8.6% in the

first quarter), declining unit labor costs, and the absence of rising demand for labor and raw materials all suggest that inflation will remain muted this year, with the modest dip in April producer (wholesale) prices being a harbinger of things to come. The inflation risks at this time would be an unexpected surge in economic growth or a sharp drop in oil supplies caused by a war in the Middle East.

Investor sentiment has turned quite negative in the meantime. The major worries would seem to be the unresolved issues in the Middle East and Afghanistan, the current indecision within the economy, the uncertain direction of corporate earnings, and concerns over accounting irregularities and potential analyst-investment banking conflicts of interest at some brokerage houses. Although these matters may not resolve themselves for some months yet, particularly with regard to the global situation, the recent selloff in the market may have pushed stocks down to attractive enough levels to make the risk/reward ratio worthwhile once again.

Conclusion: For all the present gloom, we still believe that equities will close the year with a gain. We caution, though, that volatility seems likely to be with us for some time. Please refer to the inside back cover of *Selection & Opinion* for our Asset Allocation Model's current reading.

CLOSING STOCK MARKET AVERAGES AS OF PRESS TIME

	5/2/2002	5/9/2002	%Change 1 week	%Change 12 months
Dow Jones Industrial Average	10091.87	10037.42	-0.5%	-7.6%
Standard & Poor's 500	1084.56	1073.01	-1.1%	-14.5%
N.Y. Stock Exchange Composite	581.65	572.72	-1.5%	-10.0%
NASDAQ Composite	1644.82	1650.49	+0.3%	-23.5%
NASDAQ 100	1246.75	1246.75	0.0%	-33.6%
American Stock Exchange Index	949.92	942.69	-0.8%	0.0%
Value Line (Geometric)	367.94	361.93	-1.6%	-9.2%
Value Line (Arithmetic)	1287.99	1270.70	-1.3%	+3.4%
London (FT-SE 100)	5174.1	5197.6	+0.5%	-11.8%
Tokyo (Nikkei)	11551.01	11633.30	+0.7%	-17.4%
Russell 2000	513.37	501.39	-2.3%	+2.3%